

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Cunneen Analyst: Kristina North Bill Number: AB 81

Related Bills: See previous analysis Telephone: 845-6978 Amended Date: 02/04/99

Attorney: Doug Bramhall Sponsor:

SUBJECT: Employer Public School Or Vocational Institution Math Or Science Teachers Credit/Open Enrollment Credit

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced December 7, 1998.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED December 7, 1998 STILL APPLIES.

OTHER - See comments below.

SUMMARY OF BILL

Under the Personal Income Tax Law (PITL) and the Bank and Corporation Tax Law (B&CTL), this bill would authorize a credit to taxpayers equal to 50% of the qualified expenses paid or incurred during the taxable or income year in connection with lending a qualified employee to a high school, community college or vocational school for the purpose of teaching math or science.

Under the PITL and the B&CTL, this bill also would authorize a credit to taxpayers equal to 50% of qualified expenses paid or incurred during a taxable or income year in connection with allowing a public school teacher to attend an employer-sponsored education class by using an open enrollment space.

This analysis will not address this bill's changes to the Education Code as they do not impact the Franchise Tax Board.

SUMMARY OF AMENDMENT

The February 4, 1999, amendment would make the above credits apply to taxable or income years beginning on or after January 1, 2000, instead of January 1, 1999. The amendment also would delay the changes to the Education Code from July 1, 1999, to July 1, 2000. Except for these changes and the resulting revenue estimate change, the remainder of the department's analysis of the bill as introduced on December 7, 1998, still applies. The implementation and technical considerations for the credits were discussed separately and are restated below.

Board Position:

<u> </u> S	<u> </u> NA	<u> </u> NP
<u> </u> SA	<u> </u> O	<u> </u> NAR
<u> </u> N	<u> </u> OUA	<u> </u> X PENDING

Department/Legislative Director Date

Johnnie Lou Rosas

2/25/1999

LENDING QUALIFIED EMPLOYEE TO TEACH MATH AND SCIENCE

Implementation Considerations

Department staff is available to work with the author's office to resolve these and other concerns that may be identified.

- ◆ It is unclear if the author intended that "teaching" mean direct instructional services in mathematics or science pursuant to an approved curriculum. As currently written, this bill could allow an individual to qualify for this credit simply by providing information regarding how the application of math or science relates to his or her company.
- ◆ It is unclear what constitutes "preparation time."
- ◆ Further definition is needed as to which items would constitute "qualified expenses" (i.e., direct/indirect wages for classroom personnel, teaching supplies, class materials, equipment, etc.).
- ◆ A definition is needed for "vocational institution" for the department to process this credit since it is unclear whether "public" applies to vocational institution. Further, it is unclear if the author intended that this credit be allowed for teaching in a vocational institution outside of this state.
- ◆ Credits are typically used within eight years of being earned. Since this credit does not have a carryover limit, the department would be required to retain the credit carryover on the tax forms indefinitely.

Technical Considerations

- ◆ The school must certify certain items for the credit to be allowed. Further language should be added to this provision to include verification that the employee has or is eligible for issuance of an eminence credential and to require the taxpayer to provide a copy of the certification to the department upon request.
- ◆ Wages paid for both teaching and "preparation time" qualify for this credit. Teaching time must be certified by the public school or vocational institution. "Preparation time" need not be certified. The lack of definition of "preparation time" together with the lack of any method to verify "preparation time" would make it impossible to audit wages paid for "preparation time."

PUBLIC SCHOOL TEACHER TO ATTEND EMPLOYER-SPONSORED EDUCATION CLASS BY USING AN OPEN ENROLLMENT SPACE

Implementation Considerations

Department staff is available to work with the author's office to resolve these and other concerns that may be identified.

- ◆ It is unclear if an "employer-sponsored education class" would 1) include conferences, conventions, presentations, seminars, and other related

events; or 2) be a "class" normally provided for the benefit of his or her employees. Also, it is unclear if the author intended to provide a credit for California public school teachers to attend employer-sponsored education classes provided outside of this state. A definition is needed to clarify the author's intent.

- ◆ It is unclear what would characterize an "open enrollment space."
- ◆ Further definition is needed as to what items would constitute "qualified expenses" (i.e., direct/indirect wages for personnel teaching the class, teaching supplies, class materials, equipment, etc.) and allocation of those expenses to the open enrollment participant.
- ◆ It is unclear if "public school teacher" would include a teacher assistant, a teacher aide or other part-time or volunteer position. To prevent disagreement between taxpayers and the department, the author may wish to specify what positions would qualify as a "public school teacher."
- ◆ Credits are typically used within eight years of being earned. Since this credit does not have a carryover limit, the department would be required to retain the credit carryover on the tax forms indefinitely.

Tax Revenue Estimate

The February 4, 1999, amendment changed the year in which the credit would take effect, as detailed in the following chart. The remainder of the revenue discussion in the department's analysis of the bill as introduced December 7, 1998, still applies.

Estimated Revenue Impact of AB 81 As Amended February 4, 1999 Years After 12/31/99 To Sunset Dates (In \$Millions)				
Fiscal Years	1999/2000	2000/2001	2001/2002	2002/2003
Retired Teachers Income		1.2	1.2	0.1
Loaned Teachers' Credit	(Negl.)	(1.3)	(1.2)	(1.2)
Open Enrollment Credit	(Negl.)	(0.3)	(0.2)	(0.2)
TOTALS	(Negl.)	(0.4)	(0.2)	(1.3)

Note: "(Negl.)" means losses less than \$50,000.